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November 13, 2001

BY ELECTRONIC & REGULAR MAIL

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

***Re: Comments on Possible Actions Under Section 203--Certain Steel Products--
Exclusion Request (Battery-Quality Hot Band Steel)***

Dear Ms. Blue:

This letter is filed on behalf of The Gillette Company ("Gillette") in response to the Trade Policy Staff Committee's request for public comments on potential action under Section 203 of the Trade Act of 1974, as amended, to facilitate efforts by the domestic industries producing certain steel products to make a positive adjustment to import competition and provide greater economic and social benefits than costs. See 66 Fed. Reg. 54321, 54322-3 (Oct. 26, 2001). In particular, Gillette is requesting that battery-quality hot band steel ("BQHB") be excluded from any action the Administration may take with respect to imported steel products under Section 203(a). Gillette is a major consumer of BQHB. As discussed in detail below, this specialty product is not produced by the United States steel industry. Thus, any quantitative restrictions or additional duties imposed on this product would provide no benefit whatsoever to the United States steel industry, but rather, would only injure United States manufacturers of household batteries and United States consumers. Under these circumstances, Gillette

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respectfully requests that the Administration exclude BQHB from the coverage of any import relief provided under Section 203.

The Duracell Global Business Management Group ("Duracell"), a unit of The Gillette Company, produces household batteries in the United States. Duracell currently has approximately forty-five to fifty percent of the United States battery market. Further, when combined with Energizer, which we understand is also filing an exclusion request, the two companies have approximately eighty percent of the United States battery market. Duracell is headquartered in Bethel, Connecticut. Duracell is headquartered in Bethel, Connecticut. It employs 4,500 people and has manufacturing facilities in Georgia, Tennessee, North Carolina and South Carolina.

In the production of alkaline batteries, Duracell forms battery cans made from steel strip produced from BQHB. Battery cans are pressure vessels which interact, directly and indirectly, with caustic substances contained within the battery. A battery can is a critical component of a battery because it serves to prevent leakage of the battery's contents. The integrity of the battery, and thus the safety of consumers, would be compromised if the battery can were to crack or rupture.

Duracell manufactures battery cans in the United States using high-grade nickel-plated steel strip. This high-grade nickel-plated steel strip is produced by the Thomas Steel Strip Corporation ("TSSC"), located in Warren, Ohio.

To insure the integrity of its battery cans, Gillette imposes stringent technical requirements for the steel strip. To satisfy these requirements, TSSC must utilize BQHB in the manufacture of its high-grade nickel-plated steel strip. The BQHB in question is imported from The Netherlands because there is no qualified source of BQHB in the United States.

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BQHB is ultra-clean, hot-rolled steel strip having closely controlled strip geometry and surface, which make it suitable for further processing and for the ultimate manufacture of battery cans. No other hot-rolled carbon steel products can substitute for BQHB, nor can any other product produced in the United States. Among its key attributes is an extremely low level of non-metallic inclusions, which is necessary to prevent battery can sidewall ruptures.

BQHB, which is sold under the commercial name "hot rolled carbon steel flat product," is classified under several HTSUS subheadings including, but not limited to, 7208.27.0060, 7208.39.0030, 7208.39.0090, 7225.30.7000. A description of the BQHB that Gillette is requesting be excluded is as follows:

Hot-rolled, continuously cast steel sheet in coil suitable for further processing and the ultimate manufacture of battery cans. The steel shall be ultra-clean, with individual particles of non-metallic inclusions not greater than 1 micron (0.000039 inches) and clusters or groups of non-metallics not exceeding 5 microns (0.000197 inches) in length. The chemical composition shall be (%):

C	.08 max	aim	.05 max
Mn	.45 max	aim	.30 max
P	.025 max	.015 max	
S	.020 max	.015 max	
Al	.025/.065	.030/.050	(.025 min acid soluble)
Si	.050 max		
Cr	.050 max		
Ni	.050 max		
Cu	.050 max		
Mo	.010 max		

Except when a nominal thickness of 0.081 inches is ordered, in which case the maximum Carbon content shall be 0.064%.

Scale shall be completely removable by hydrochloric acid pickling, the resulting surfaces being free of digs, scratches, pits, gouges and

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slivers. The steel shall have a low crown, suitable for cold-rolling to tight gauge tolerances.

To Gillette's knowledge, BQHB is produced by only two foreign producers: Corus Staal BV located in IJmuiden, The Netherlands, and Toyo Kohan Company located in Kudamatsu, Yamaguchiken, Japan. Gillette is a purchaser of BQHB and does not import or produce that product. As a purchaser of BQHB, Gillette has no independent ability to estimate or project the total United States consumption of BQHB. Gillette does, however, understand that Corus Engineering Steels Limited, Gillette's supplier of BQHB, will be filing an exclusion request, which will supply that information.

Duracell is not aware of any qualified United States producers of BQHB nor is the company aware of any United States producer seeking to enter this niche market. In this regard, it should be observed that in order to qualify to supply BQHB, a United States producer would need to undergo a one to three year qualification process. In addition, upon qualification, it would likely take up to an additional two years to complete the transition to the purchase of commercial quantities of nickel-plated steel strip manufactured using a new supplier of BQHB. Thus, even if there were no delays for product or process refinements or improvements, it would likely be four to five years before a United States producer could supply commercially meaningful quantities of BQHB.

Under these circumstances, the imposition of quantitative restrictions and/or additional tariffs on BQHB would provide no benefit whatsoever to the United States steel industry while seriously injuring United States battery producers and consumers. Accordingly,

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Gillette respectfully requests that the Administration exclude BQHB from the coverage of any import relief provided under Section 203.

Sincerely yours,

Harvey M. Applebaum
David R. Grace